Central Intelligence Agency
Washington, D.C. 20505

DCI/DDCI Executive Staff

16 September 1988

NOTE FOR: DCI

Attached for your meeting with PFIAB are the two memos (one each from Fritz Ermarth and Doug George) you requested on future intelligence challenges. I have also attached a recent Kissinger piece that appeared in NEWSWEEK that discusses foreign policy challenges for the next President. As we agreed, in addition to your 10:30-12:00 meeting with PFIAB on Wednesday, 21 September, you will be seeing them for lunch on the same day from 12:00-1:00. The luncheon period has been set aside to discuss future intelligence challenges. I will have Doug and Fritz work up a combined set of talking points for this luncheon that will provide you highlights of the two memos they have prepared. These talking points will be ready for you Tuesday afternoon when you return to Washington. Once you have reviewed these memos, please let me know if you would like Doug and Fritz to attend the PFIAB luncheon with you.

25X1

ROUTING AND RECORD SHEET

SUBJECT: (Optional) Your Presentation to the PFIAB on Future Intelligence Challenges

FROM: Fritz W. Ermarth, Chairman
National Intelligence Council

EXTENSION

NO. NIC #03061-88

DATE 14 September 1988

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC #03061-88
14 September 1988

MEMORANDUM FOR: Director of Central Intelligence

FROM: Fritz W. Ermarth
Chairman

SUBJECT: Your Presentation to the PFIAB on Future Intelligence Challenges

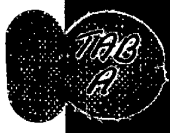
1. Attached are two documents for your consideration as sources of themes for your meeting with PFIAB next week. Tab A is an essay which might be used as the basis for a presentation covering both substantive challenges and Community management issues. Tab B was prepared by the NIC as an input to the National Foreign Intelligence Strategy, and sets forth our view of the big substantive targets in the years ahead.

2. I've seen a draft of what Doug George prepared for General Heinz to send you for this occasion, and have no problem with it. When you've had a chance to reflect on what you've been given, Doug and I can respond to your instructions to prepare something final for the meeting. I spoke the other day with Fred Demech of the PFIAB staff about the purpose of the meeting, and it was clear that you were largely free to define it as you wish so long as it involves some mix of both intelligence substance and resource/management implications.

Fritz W. Ermarth

Attachments: As Stated

[redacted] 25X1



14 September 1988

FUTURE INTELLIGENCE CHALLENGES

In the decade ahead, US intelligence is certain to face tight, and likely to face declining, real budgets. At the same time, its tasks appear likely to expand in number and complexity, as old requirements persist and new ones get added to our mission. This situation will generate new pressures for efficient resource management at all levels, but especially at the level of the Intelligence Community and the NFIP.

Tight Money and Expanding Tasks

The budget picture is relatively clear. Even if the NFIP budget does better than defense, it will be tight as far as the eye can see, after a period of expansion.

On the demand side, the picture is also fairly dramatic. It is hard to think of major intelligence targets of the past which have disappeared or shrunk in importance. Straining to think of one, I come up with Chinese ground order of battle. But let there by a spat on the Chinese border with Vietnam, India, or the USSR, and we could suddenly be charged with an "intelligence failure" if we neglected this topic.

Even if US-Soviet relations continue to improve, we shall be pressed to track the development and application of Soviet military power in detail. Even if weapons systems are limited or eliminated by arms control, we must track them fastidiously to assure compliance. As we enter new and presumably more meaningful conventional arms talks, demands will grow for more and more detail on the Soviet general purpose force structure as well as the surrounding doctrines and operational concepts. Thus, we shall have to get more sophisticated about the traditional forests while getting more precise and comprehensive about the trees. And we cannot be sure that US-Soviet relations will stay improved, so the intelligence demands of "amity" (e.g., arising from arms control implementation, policing and exploiting exchanges, etc) will combine with those of enmity (e.g., threat assessment, warning).

Meanwhile, the turbulence of the Gorbachev era is adding new dimensions to the Soviet problem. Hardly a decade ago, topics like the intelligentsia, the party apparatus, the mood of society at large were the part-time concerns of less than a dozen analysts in the whole intelligence community. Today, we can no more afford to be caught unawares by major grass-roots developments in the USSR than can the Kremlin or the KGB because such developments, and Moscow's reaction to them, could challenge the viability of our short-term diplomacy and our long-term strategies. Glasnost has made easier the task of reaching insights about Soviet society; but doing so requires more people to process and analyze the new information pouring out of the Soviet Union.

Outside the "traditional" target areas, we clearly see a proliferation of intelligence requirements, both in terms of geography and subject

matter. After the USSR, potential crisis areas in the Third World have traditionally been high priority intelligence targets, particularly in the Middle East. Even if we succeed in defusing some of these in cooperation with the USSR and local participants, and even if our defense and foreign policies downgrade the importance of some areas, the breadth and depth of intelligence on these areas can hardly be reduced. This is because comprehensive understanding afforded by intelligence is a prior condition for intelligent selectivity in policy and strategy.

Now we have new tasks before us: Terrorism, narcotics, international economics and finance, the technological and economic competitiveness of friends and allies, and even the world-wide impact of AIDS. There is rapidly rising concern now about the proliferation not merely of nuclear-weapons capabilities, which continues, but of chemical and bacteriological warfare capabilities and of hi-tech, long-range weaponry. We have not merely to anticipate and track these developments, we along with the policymaking community have to figure out what their broader, so to say "environmental", impact on the international system will be.

Not only in the USSR and East Europe, but throughout the world we have to pay more attention to deep social and psychological forces, such as the Islamic Revolution. Conventional collection methods, with their focus on capitals and ruling elites, are not adequate here. Reliance on journalists and academics alone is not satisfactory for obvious reasons; we cannot direct and control them. We cannot afford to be late in detecting another social upheaval on the scale of the revolution in Iran, for example, in neighboring Mexico. But keeping up with such phenomena requires deeply

schooled experts, with languages and the ability to travel to the countrysides and the bazaars of the world. Fortunately, this is not expensive, but it requires new ways of doing our business...or perhaps resurrecting some very old ways.

Some Management Implications/A View from the 1970s

Complaint from intelligence managers about tight money and expanding tasks is familiar; it simply varies in validity. In the 1990s, it will be much more valid than during most of the 1980s because of diametrically opposite budget trends. This situation is not unprecedented, however. It recalls the period extending throughout the 1970s when there was real shrinkage in the NFIP budget and the size of the Intelligence Community, but tasks did not in any meaningful way diminish.

As in that period, we shall almost certainly see increased emphasis on various management themes in the quest for greater resource efficiency, hard though efficiency is to define in the intelligence business. There are all kinds of things that can be done to increase efficiency and we shall be under great pressure to do them. This will involve such things as:

Sharpening priorities, objectives, missions, requirements at all levels; making the management mechanisms that address these matters real decision tools rather than perfunctory paper drills.

Trade-offs among programs, especially at the Community-NFIP level, in terms of their relative ability to satisfy requirements.

Sharper scrutiny of the interrelationships of collection, processing, and analysis. There will be pressure to get more out of expensive collection through less expensive processing and analysis.

The old "national-versus-tactical" intelligence debate will return, and more broadly debate about trade-offs between intelligence and defense dollars. (The debate about the SR-71 is an example.)

Along with these themes will come the quest for tools to help address them, such as input-output analysis, zero-base budgeting and intelligence product evaluation. One can also expect new attention to defining the roles of the DCI, especially the relationship between his role as head of CIA and as head of the Intelligence Community.

All these themes arose in the 1970s, shaping the management agendas of the DCI and other Community principals, creating new institutional capabilities (e.g., in the Intelligence Community Staff), and forcing intelligence budget and program decisions before the President and the full members of the NSC for more serious attention than ever before. Considerable progress was made in dealing with these challenges during the 1970s. During most of the 1980s, however, budgets went up sharply and there was a fairly natural -- if perhaps unwise -- drop in attention to resource efficiency at the Community level. Competitors for the marginal dollar simply don't fight as hard when their budgets are growing.

But the environment of austerity and expanding tasks is returning. We have to examine whether our mechanisms, particularly organizations within

and among the agencies for the most efficient resource management, are up to the challenge. We also have to ask whether the oversight mechanisms which have proliferated in the past two decades will be helpful or obstructive in the quest for new levels of resource efficiency. This applies to oversight within the Executive Branch (e.g., at NSC and OMB), as well as to Congress.

Sources of Strength

As we look ahead into the 1990s, it is wise to emphasize a number of assets or advantages available to the DCI as he faces tougher resource management issues, especially at the Community level.

First, we've been here before to some extent and we don't have to reinvent the wheel. There are people in and out of government who know the concepts, the vocabulary, and many of the issues that will arise in this environment; they are on both sides of the political aisle.

The manpower expansion of the early 1980s during a business recession, in CIA but other agencies as well, brought in large numbers of unusually well-educated and talented young people. Management of these people so that the best ones stay in intelligence careers is itself a major challenge. But they provide the DCI with two important levers for attaining higher efficiencies. First, they are a pool of quality intellect and motivation from which more skilled managers for the future can be rapidly developed. Second, they permit a reduced work force to result in a relatively more talented manpower pool in the Community than resulted from similar RIFs in the 1970s.

Finally, technology may offer some tools for enhancing resource efficiency even in the domain of intelligence where it is so elusive. Today, unlike the 1970s, ADP is ubiquitous even though it sometimes seems chaotic. The masses of information that constitute the meat and potatoes of intelligence move from the collector to the finished publication, and even sometimes to the consumer himself, electronically. Analysts and processors who are the best equipped of "frontline" intelligence people to judge what the value of information is are used to operating in an electronic data environment. We ought to be able to use these conditions to design better tools for more efficient resource management because we are better able to track what we collect, where it goes and how it is used.

The period ahead should be viewed as a one of challenge full of opportunity rather than threat for US intelligence. This is because, while growing bigger during the last half decade, it also got better. There is probably some flab around. But there are clear areas of improvement over the 1970s on all sides, both in collection and analysis, in people and in machinery. The key to success in the next phase will be to manage in ways that preserve and build on accumulated strengths.

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9 September 1988

NATIONAL FOREIGN INTELLIGENCE STRATEGY
The 1990s: Opportunities and Problems

The Changing Soviet Challenge

Whither Soviet Reforms

A historic debate over the future direction of the Soviet system is underway in Moscow. It is now clear that--in the pursuit of national revival--Gorbachev is pushing for fundamental reforms that would, if fully implemented, produce a less authoritarian political system and a more market-driven economy. The need to concentrate resources on domestic rebuilding and to reduce Western challenges has also given rise to substantial pressures for change in national security policy, as Gorbachev seeks to restrain defense spending and create a more predictable and less confrontational international environment. More conservative forces in Moscow are resisting Gorbachev's radical prescriptions, concerned that they threaten the party's hold on power and may eventually attempt to remove him.

These pressures for change have produced growing political and social turmoil in the USSR, a new assertiveness by the USSR's minority nationalities, and considerable uncertainty about whether this reformist course can be sustained, and--if it can--what the impact on Soviet domestic and foreign policies in the 1990s will be. The implications of this ferment for the US are substantial:

-- If Gorbachev succeeds in asserting his agenda over the next decade, we could see a significant liberalization of the Soviet system and a Soviet leadership more responsive to the US agenda on arms control and Third World issues.

-- These reforms are not likely to be successful enough in this time frame to have much impact on Moscow's basic economic and military capabilities. Politically, on the other hand, the impression abroad that the USSR is becoming less threatening will seriously complicate and challenge US global diplomacy and alliance management strategies, even as Soviet diplomacy is becoming more skillful and flexible.

Military Policy and Forces

While not of the magnitude of the drama Gorbachev has provoked in the political and economic life of the country, there have been a number of developments in the military arena that could foreshadow future changes. The military high command has been substantially rejuvenated and party leadership over the military strongly reasserted. Gorbachev and his civilian advisers have also advanced the concept of "relative sufficiency," defining it as the level of military power sufficient "to repel potential aggression, but insufficient to conduct offensive operations." While the argument on sufficiency is couched in a doctrinal framework, it is in fact an issue of political and economic priorities and of political power. It is

an attempt by the Gorbachev leadership to establish a new basis for enforcing his resource policies on defense. Gorbachev is seeking the latitude to make resource allocation decisions necessary to modernize Soviet industry. While the military appears to accept the concept of "sufficiency," their preference is to define it in terms of "military parity," which the military, presumably, would be allowed to calibrate. This issue will probably not be resolved until the next five year plan is formulated in 1990 with the outcome not evident to us until much later.

Closely related to the concept of "relative sufficiency," is the proclaimed change in the character of Soviet military doctrine from offensive to defensive. The Soviets have promised to introduce changes in their force structure and training exercises to reflect the new doctrine, but these changes have failed to materialize as yet. Although Soviet exercises have featured longer defensive phases, these phases are usually followed by the traditional offensive operation to destroy the enemy. Force structure changes continue to emphasize a design which is well suited to high tempo offensive operations. Within their doctrinal literature there is increased discussion of defensive operations, but nothing which indicates that they no longer consider the offensive to be the decisive form of combat.

So far the military continues to enjoy high priority in resource allocation. Soviet strategic offensive forces continue to be extensively modernized and will be more capable, diverse, and generally more survivable

in the late 1990s. An increasing proportion of Soviet intercontinental attack warheads will be deployed on submarines and mobile intercontinental ballistic missiles into the 1990s and a smaller but still substantial proportion in fixed silos. The Soviets continue to invest about as heavily in active and passive strategic defenses as they do in offensive forces, and their capabilities will improve in all areas: air defense, ballistic missile defense, hardened protection for the leadership, antisubmarine warfare, lasar weapons and other advanced technologies.

Soviet Views of Arms Control

Arms control is seen by Soviet leaders as helping implementation of the reforms underway in the Soviet Union and within the Warsaw Pact. A necessary, but not sufficient, condition for the reform of the Soviet economy is the modernization of the country's antiquated industrial and technological base. This will require a significant reallocation of resources which can only come from the Soviet defense sector. Although this course of action will require constraints and perhaps even some cuts in the current levels of defense spending, the Soviet military can probably absorb the cuts with relatively little difficulty because of the current high level of defense spending. The real cuts to the defense budget could come in the out years when investment resources are moved from the defense to the civilian industrial sector. The result of this transfer could be both a reduction and a slow down in the next generation of Soviet force modernization.

Arms control could make this more platable by slowing the pace of US and NATO force modernization, thereby reducing Soviet military requirements. The Soviets clearly seem willing to pursue the arms competition at reduced levels. There will be both opportunities and pitfalls for the West in such negotiations and in reaching such agreements. Staying on the dual track of negotiating and modernizing will be difficult. The task for intelligence will be to provide timely analysis of Soviet negotiating strategy and tactics and the political and military implications for Western interest of Soviet arms control policies and defense programs. In the final analysis, however, no likely conventional or strategic arms control agreement will provide Gorbachev with sufficient economic slack to rescue his economy. At the same time, reforms of the system are unlikely to make the USSR a permanently less formidable military adversary unless they alter the nature of the system and its goals.

Regional Policies in Flux

For the next decade or so, the Soviets will continue to be a minor actor economically in the Third World even if Soviet domestic reforms are successful. Politically, however, the Soviet challenge to US interests is likely to be a lot more formidable. Gorbachev is reaching out to the important regional powers, most of whom are basically pro-Western, and trying to induce them to increase ties with the USSR and follow more balanced policies between East and West. He is also getting regular Soviet forces out of Afghanistan and seeking easement of other regional conflicts that are now counterproductive to broaden Soviet interests. As a result, he

is likely to succeed in reducing the image of the Soviet threat and the US will find it harder to sustain support for its military presence in the Third World and be under greater pressure to endorse regional disarmament initiatives.

European Security Relations in Flux

Gorbachev's efforts to reform the Soviet system and recent movement toward US-Soviet arms reductions have ushered in a more fluid period in East-West relations, presenting new challenges for US policy in Europe. Among our West European allies, there are renewed concerns about the durability of the US commitment to European security, the quality of American leadership, and their own ability to influence US policy. Some West European leaders also seek closer relations with Moscow and its allies even at the expense of NATO solidarity. In West Germany, particularly, there are signs that the domestic security consensus is eroding, and some opposition leaders call for a re-appraisal of the Federal Republic's role in NATO. At the same time, these concerns have increased Allied determination to strengthen NATO's "European pillar," affording the United States new opportunities to reshape the transatlantic partnership on a more secure foundation and help develop a new conception of European security into the 21st century.

Eastern Europe is also entering a period of flux. Serious economic problems, growing social discontent, leadership changes (some already underway, others soon to come), and above all the impact of the Soviet reform drive have introduced new uncertainties into the region. Gorbachev's policies have increased the potential for instability in Eastern Europe, but they have also expanded the scope for diversity and experimentation. While

our ability to influence these developments will remain limited, US policy has played an important role in encouraging evolutionary movement toward internal liberalization in the region and greater independence from Soviet tutelage.

Third World Trouble Spots

Palestinian Nationalism, Power Balances in the Gulf and Iran's Future

Recent developments in the Middle East and South Asia will significantly alter the challenges facing the United States in the next decale: The Soviet withdrawal from Afghanistan coupled with the death of Pakistan's President Zia have ushered in new uncertainties over the character and strength of leadership in Kabul and Islamabad; Iran and Iraq remain heavily armed, antagonistic forces to be reckoned with by other oil-rich states in the Persian Gulf; and, young Palestinian nationalists in the occupied territories have defied two decades of Israeli rule, PLO inertia, and Jordan's guardianship, and present new challenges to US peace strategies. Major US security interests will be at stake in all three of these arenas in the 1990s in the face of energized, more skillful Soviet policy, a greater independent-mindedness among our regional friends and foes, and a steady escalation in sophisticated weaponry.

China in the Catbird Seat: US Gains and Losses

A decade of internal reform and of external adjustments have enhanced China's position as a key regional actor in East Asia. China's improving relations with the Soviet Union will occupy center stage into the 1990s.

-- A new generation of Chinese leaders could continue the economic and political reforms necessary to build China's power and prestige. This, together with improving Sino-Soviet relations, could give China a pivotal role in the strategic triangle. In any event, China will continue to aggressively pursue an independent foreign policy agenda that often will put it at odds with US interests in the region and throughout the world.

Asia's Changing Perceptions of the United States

Overall, East Asia probably will be a less predictable and congenial area for the United States in the 1990s than it has been in the 1980s. Such a political climate could be a result of several factors:

-- Japan, by virtue of its economic power, could become more politically and militarily assertive in the region. Many Japanese already perceive the United States in decline and increasingly question whether Washington can maintain its security commitments in East Asia.

-- Sino-Soviet rapprochement could create a sense of greater stability in East Asia, leading the countries of the region to question the need for a strong US military presence.

-- Sino-Japanese relations should improve somewhat, however, both will keep a wary eye on the other's military development. Should the United States draw down its forces in East Asia, the Japanese may reconsider the pace and scope of their military buildup. Any decision to move forward at a rapid pace would seriously concern the Chinese, as well as some others in the region.

-- Members of ASEAN likely will reassess their relationships with the United States, particularly in light of a settlement in Cambodia. Thailand's relationship with China will continue to grow, possibly at the expense of US interests; the Philippines may seek the removal of the US bases in the 1990s; Indonesia may try to reassert its leadership in Asia, complicating relationships among ASEAN members and causing strains within the organization; and the new generation of leaders in Singapore could be increasingly disdainful of the United States.

-- South Korean nationalism and anti-Americanism will continue to grow. The US role on the peninsula--especially the role of the military--will continually be called into account.

-- Furthermore, trade issues threaten to complicate relations with Japan, Taiwan, South Korea, Singapore, Thailand, and Australia.

Latin America and the Caribbean

The host of problems that besets Latin American promises to keep it near center stage for US policymakers for years to come. The political costs of the staggering debt burden are rising and public frustration with austerity and the decline in living standards may lead to the political ground shifting leftward in the many elections over the next year or two, just as it contributed to the sharply reduced mandate for the governing party in Mexico in July. Venezuela, Jamaica, Bolivia, Argentina and perhaps Brazil are candidates to replace centrist administrations with more populist left-of-center regimes as Ecuador did this year. Economic decline also leaves scarce resources to meet challenges on a variety of fronts: Colombia's security forces are ill equipped to combat both the insurgency and narcotrafficking; Bolivia's lack of economic opportunity helps stampede people toward coca cultivation; and tight budgets, as in Argentina, make it difficult to keep restive militaries satisfied. Central America is a special case and the continued consolidation of a Marxist-Leninist regime in Managua means that both the Sandinistas and the Cubans are likely to maintain--and probably increase--assistance to leftist insurgents in the region, adding to the pressures on democratic rule. El Salvador's officer corps will grow more unruly if the country's insurgency escalates while Honduras remains a vulnerable target for subversion. Overall, the regional prospect is for more confrontational policies and greater instability.

Africa: Old Instabilities, New Challenges

Sub-Saharan Africa faces staggering economic problems that, together with such chronic scourges as drought, famine, and the new AIDS pandemic, will add to enduring political instability and chaotic policies that spawn coups and insurgencies. The ability of weak, vulnerable regimes to sustain essential, Western-backed economic reforms begun in the 1980s is low. Even if the Soviets back up their endorsement of political rather than military solutions to regional conflicts by pressuring their African clients, especially Ethiopia and Angola, to compromise, US policy in the region is likely to be complicated by the actions of others--such as Iran, Libya, North Korea, and perhaps Cuba--bent on exploiting instabilities. US access to military facilities in strategic areas, particularly the Horn of Africa, and to sources of strategic materials could be jeopardized. Meanwhile, racial polarization and opportunities for Soviet exploitation in southern Africa are likely to grow as South Africa clings to apartheid policies despite international pressure for change and as black-ruled African states demand tougher Western action. Finally, even should Namibia gain independence it is likely to remain a trouble spot as any black government would seek to balance enduring economic dependence on South Africa with support for the anti-apartheid struggle.

Third World Economies.

The growth many Third World economies experienced in the 1960s and 1970s has been replaced by stagnation or recession in recent years. This trend is likely to continue as political concerns deter badly-needed economic structural adjustments and large debt burdens hamper growth. In some of these countries, economic challenges will threaten nascent democratic institutions and jeopardize the repayment of billions of dollars to US financial institutions. As living standards deteriorate and the demand for jobs continues to surpass the supply, narcotics trafficking and other illegal activities as well as radical political alternatives, will become increasingly attractive to the poor.

Key Global Issues

Slowing the Narcotics Trade

The international narcotics industry will pose a major threat to the security and stability of key democratic nations of Latin America through the remainder of the century. Narcotics traffickers already wield significant economic power and have demonstrated an almost unlimited ability to corrupt political systems and intimidate institutions, especially the judiciary, of many countries. The violence level will rise as traffickers increasingly arm themselves to protect their operations from rival

organizations, insurgents, and government forces. The US-supported eradication, interdiction, and enforcement efforts will thus have to operate in more hostile environments with consequent risks.

The heroin threat to the United States from Asia will also continue, despite modest drug control progress by Thailand and Pakistan. Worldwide production of opium has risen rapidly after several years of decline. As heroin and cocaine trafficking build in Europe, bilateral cooperation with the European narcotics enforcement community will become more important to the United States. European officials will place more emphasis on regional alliances against the narcotics trade as will key leaders in Latin America and Asia. Nevertheless, a host of problems will continue to make it difficult for governments to cope successfully with their drug problems for the foreseeable future, and US drug policies will complicate diplomatic relationships with many countries.

Fighting Terrorism

Although both incidents and terrorist-caused casualties involving the US have decreased, terrorist incidents worldwide have continued and will continue to increase. While the capability of small independent groups to mount random attacks constitutes a constant threat, the sponsorship of terrorist groups by countries using terrorism as an instrument of foreign policy presents an even greater danger. Further, the possibility is now greater that nations that support terrorism and possess chemical and

biological weapons will make these CBW agents available to terrorist groups. For the moment terrorists depend primarily on the low-technology gear, but they are slowly expanding their use of higher technology, communications equipment, concealment methods and false documentation. Finally, because of improved international cooperation, terrorist groups will carry out a greater proportion of their activities in Third-World areas where Western targets abound, but where Western countermeasures are less evident.

Controlling Proliferation of High Technology Weapons

Proliferation of nuclear, chemical and biological warfare programs in the Third World will contribute significantly to regional tensions in the 1990s. The success of a number of Third World countries in acquiring chemical weapons, together with the example of use of chemical weapons in the Iran-Iraq War, point to an increasing global stockpile of chemical weapons and the potential for more frequent use in future regional conflicts.

Concurrently, more sophisticated missile systems are steadily becoming more available on the world market. The acquisition of missiles by many nations in the Middle East

, and the use of missiles in the Iran-Iraq War, increases the probability that US or Allied military forces entering into a conflict will encounter these systems..

AIDS and Third World Elites

Defining the global dimensions of AIDS--including its political, economic, sociological, and military implications--will be a major challenge as the pandemic increasingly demands the attention of US policymakers. In the likely absence of a vaccine or effective treatment in the next several years, AIDS has the potential to cause political and economic catastrophe in many Third World countries, particularly in Africa, through likely high rates of infection among elites and urban populations. Although prospects are good that the Soviets will continue to seek US cooperation against the disease, disinformation and misinformation originating in the Third World and blaming the US for AIDS is likely even as those governments seek US help with public education and other programs for prevention. In addition, requests for Western assistance will mount as public health and medical systems are overwhelmed in areas hit hardest by AIDS. Finally, efforts to control the international spread of AIDS are likely to raise tensions between governments in hard-hit regions and those, including the US, adopting restrictive policies.

Foreign Competitiveness

The economies of the industrialized nations and the Third World will change dramatically over the next decade. Moreover, the focus of global economic power will shift from the Atlantic alliance to the Pacific rim. Latin America and China, using relatively inexpensive labor and little capital, will take over some labor intensive manufacturing, such as

textiles, from the newly industrialized countries (NICs). The NICs, in turn, will push the United States and Japan away from traditional industries into high-tech service areas. Japanese technical advances in space-age industries, such as computers and ceramics, could displace US efforts threatening US supremacy in these areas. The United States also will face a competitive challenge as international trade evolves into blocs, most notably with the full economic integration of the European Community scheduled for 1991.

Low Intensity Conflict

The trend will be toward more small wars and more internal strife. Increased competition for resources in the lesser developed world, greater political consciousness on the part of sub-national groups, and the availability of more lethal weapons, are all combining to make for a more potentially explosive world where a regional spark could set off more important conflicts. These in turn will have to be watched carefully by the great powers which will consciously want to exert influence in some cases and be drawn into them in others.